DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 08/06/2012
POSITION: Oppose

BILL NUMBER: SB 1225
AUTHOR: Padilla, Alex
RELATED BILLS: AB 1779 (Galgiani)

BILL SUMMARY: Pacific Surfliner Rail Corridor

This bill would authorize the Secretary of the Business, Transportation, and Housing Agency (Secretary) to transfer the responsibility for the administration of the Pacific Surfliner intercity rail corridor (corridor) to the San Diego-Los Angeles-San Luis Obispo Rail Corridor Joint Powers Agency (LOSSAN Agency), an existing joint powers authority. The state would continue to fund the operation of the corridor and the Department of Transportation (Caltrans) would provide budget and agreed upon administrative support.

FISCAL SUMMARY

The fiscal impacts of this bill are unknown at this time. If the Secretary agrees to transfer responsibility from Caltrans to the LOSSAN Agency, the state would continue to fund intercity rail operations at the level required by the federal government at the time of the transfer. In fiscal year 2011-12, the cost to operate the corridor was approximately $100 million, $42 million of which was funded by the Public Transportation Account to offset a revenue shortfall. Caltrans' costs on this corridor are scheduled to increase by $28 million in 2013-14 pursuant to a new federal mandate that requires states to pay 100 percent of the operations costs on a corridor. Operations funding would likely remain at or near the increased level if the Secretary were to transfer service to the LOSSAN Agency.

Caltrans could also be required to redirect funding from its state operations budget to the LOSSAN Agency for administrative costs associated with managing the operations of the corridor. This bill would allow local resources to be used to augment state funding to address funding shortfalls, meet performance standards, or expand service. This bill would prohibit the LOSSAN Agency from using local resources to offset reductions in state resources for operations.

According to Caltrans, this bill would make coordination and oversight of the corridor more difficult and costly. If coordination becomes more difficult or if local agencies do not generate sufficient revenues, additional state operating subsidies may be needed on the corridor. However, it is likely many of these concerns could be addressed in the transfer agreement negotiated by the Secretary, Caltrans, and the LOSSAN Agency. Caltrans is currently a member of the LOSSAN Agency.

Finally, transferring administration of the corridor could result in delays to the implementation schedule for the blended system outlined in the High-Speed Rail Authority's (Authority) 2012 Revised Business Plan (Business Plan). As part of the blended system, numerous capital improvements will need to be made along the corridor for trains to travel at higher speeds and frequencies as envisioned by the Business Plan. Any delays in implementation of necessary capital improvements could result in increased project costs.

Analyst/Principal	Date	Program Budget Manager	Date
(0751) M.Almy		Kristin Shelton	

Department Deputy Director — Date

Governor's Office: By: Date: Position Approved_______
Position Disapproved_______

BILL ANALYSIS--(CONTINUED) **Form DF-43**

AUTHOR	AMENDMENT DATE	BILL NUMBER
Padilla, Alex	08/06/2012	SB 1225

COMMENTS

The Department of Finance is opposed to this bill because transferring service to the LOSSAN Agency at this time could compromise the state's ability to implement the blended system strategy outlined in the Authority's Business Plan.

The Business Plan calls for enhanced services on the state's intercity rail and commuter corridors and for the shared use of high-speed rail infrastructure by intercity rail trains prior to the introduction of high-speed service. All of these efforts are scheduled to begin implementation in the near future and planning efforts are currently underway between the Authority, Caltrans, and various commuter rail operators. Transitioning responsibility from Caltrans to the LOSSAN Agency to administer the intercity rail service on the corridor will likely result in delays to these planning efforts and the implementation of the coordinated system.

This bill could also result in increased costs due to delays in capital project construction necessary for enhanced rail service along the corridor.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	2012-2013	FC	2013-2014	FC	2014-2015	Fund Code
				(Fiscal Impact by Fiscal Year) (Dollars in Thousands)					
2660/Caltrans	SO	No		----- See Fiscal Summary -----					0046

Fund Code	Title
0046	Public Transportation Account, STF